

March 9, 2006
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Mr. John Baty
City of San Jose
Department of Planning, Building and Code Enforcement
200 E. Santa Clara Street
San Jose, CA 95113

Re: Evergreen East Hills Vision Strategy

John,

On behalf of the property owners group I have been asked to present their proposal for "balancing the equation."

Overview

As you may recall, the property owners/ developer group was asked to put forward a development proposal that could fund a certain level of amenities (approximately \$230 million, excluding land dedications), respect the guiding principles, which touches many areas such as school impacts, diversity of housing types and open space, and we were specifically asked to addresses traffic impacts.

Last year, we submitted a proposal for roughly 5,200 residential units (and 500 additional background units) that would deliver an unprecedented level of amenities, well beyond what is required of any development project in the city. Our proposal will deliver privately financed improvements to Highway 101, including the three major interchanges in Evergreen, which currently have no identified funding at the federal, state or local level despite being a top priority of the City of San Jose. Additionally, we are generating enough amenity dollars to deliver parks, little league fields, open space, school sites, affordable housing and new neighborhood serving shops and restaurants.

Collectively, the property owners submitting this proposal have decades of experience in building quality projects in this area. Our proposal was submitted in good-faith, and represents our best effort to ensure that we can deliver on what we promise.

In order to be successful, our proposal must meet the economic realities of the market. Otherwise, promised amenities and improvements will go unrealized. Based on our collective experience in this market, and being experts in the homebuilding and development field, we are confident that this proposal is financially feasible. However, if the housing unit count is further

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reduced or redistributed, we feel the economic viability of the project will be jeopardized and we would be forced to reevaluate our promise to deliver the project.

The property owner's have been very sensitive to the concerns of traffic impacts. As such, we are proposing approximately \$120 million worth of traffic and road improvements. As the draft EIR demonstrates, after the traffic improvements are completed, traffic congestion essentially remains the same under the development scenarios studied, with the exception at some of the Highway 101 interchanges, where **wait times for drivers actually gets better**. The study shows that whether we go with the lowest residential proposal or the highest, the traffic impact is roughly the same.

Once you factor into the equation that traffic impacts are nearly the same regardless of project scope, it becomes clear that to truly "balance the equation," we must choose a proposal that can withstand the economic realities of the market, deliver the maximum amenities possible, and respect the guiding principles. We believe our proposal meets that goal.

Opportunity Sites

Arcadia:

- 1875 Attached Residential units,
- 100,000 square feet of retail and commercial
- 18 acres of open space.

Pleasant Hills Golf Course:

- 825 Attached and Detached Residential units
- 15 acres reserved for open space and an Elementary School.

Legacy, Berg & IDS (Industrial Sites):

- 2000 Attached and Detached Residential units
- 20 acres reserved for open and an elementary school.

Evergreen Valley Community College:

- 500 Attached Residential units
- 195,000 square feet of office and retail.

Affordable Housing:

Our proposal includes 575 units of deed-restricted affordable housing:

- 20 percent (375 units) of affordable housing units at the Arcadia site
- 40 percent (200 units) of affordable housing units at the Evergreen Valley Community College

In addition, the non-deed restricted rental product produced on the Arcadia and Community College sites will provide a housing product not currently available in the Evergreen area and a more affordable product for San Jose families.

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Schools:

Land reserved for new elementary schools at the Pleasant Hills Golf Course and on the Industrial Sites. The East Side Union High School District's demography report indicates that there is sufficient capacity within the district to handle the potential new students generated by our proposal. That being stated, we are in active, constructive discussions with the District regarding how we can best address any potential impacts created by our proposal.

Transportation Improvements and Amenities:

The project will contribute \$232 million dollars to the transportation improvements and amenities, to be distributed at the direction of the City Council.

In addition to improvements on Highway 101, other improvements and amenities discussed previously have been: street widenings, intersection improvements, trail improvements, a community center, park improvements, and new sports facilities.

Community Facilities District:

A community facilities district needs to be one of the financing options available to the opportunity site property owners. It will not be the only financing mechanism that is used. Cash contributions from the property owners and other potential alternatives should be considered.

In considering the bonding capacity of the Community Facilities District it is important to protect some future capacity so that it is available for school districts and other bond measures.

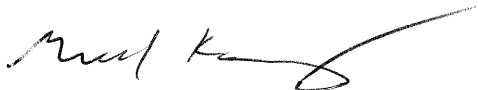
Industrial Conversion:

Maintaining industrial uses on sites located at the perimeter of the city is impractical. Industrial development has failed to occur on the Evergreen Industrial sites for nearly twenty years, and the City's own analysis states that development is unlikely to occur for at least another twenty years. These sites are adjacent to existing single-family homes and are great distance away from freeways and other amenities that industrial users seek when locating their facilities.

The homes proposed for the industrial sites generate the highest level of amenity dollars across the entire project area. Thus, by retaining industrial on these sites, the City will severely cripple the development's ability to generate amenity dollars for traffic improvements, parks, schools, open space and other recommended amenities.

Very truly yours,

HMH ENGINEERS



Michael Keaney
Senior Planner

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